



**MEMORANDUM**

**To: Reporters and Editors**  
**From: Carol Guthrie for Finance Committee Chairman Max Baucus (D-Mont.)**  
**Re: Auto bailout bill provision regarding Sale-In-Lease-Out and Lease-In-Lease-Out Transactions ("SILO/LILO")**

Senate Finance Committee Chairman Max Baucus issued a brief statement this morning regarding a provision in the pending auto bailout bill that would address Sale-In-Lease-Out and Lease-In-Lease-Out ("SILO/LILO") transactions.

SILO/LILOs are tax transactions in which an asset is "sold" to a third party and then leased back to generate tax deductions for the party that purchases and depreciates the asset. Because these transactions are entirely without substance – entered into solely for the purpose of getting a tax break – Senator Baucus and Senator Chuck Grassley (R-Iowa) wrote a provision in the American Jobs Creation Act of 2004 that successfully closed the loophole that allowed losses from these deductions in the first place.

Although the Jobs Act shut down the deduction of losses only for transactions that were entered into prior to the introduction of the JOBS Act, deals struck before that date are similarly structured and are being questioned by the IRS. Baucus said today that a provision in the auto bailout bill that would make the Federal government a guarantor of ongoing transactions involving transit agencies would only benefit banks trying to "game the system" to claim tax deductions that are now illegal. Baucus said today that the provision has no place in the auto bailout bill. From Chairman Baucus:

**"At first, it may be hard to tell where the money is in this SILO shell game. But let me tell you, this provision aimed at protecting transit agencies really just helps the banks that entered into these sham transactions in their attempts to avoid taxes.**

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**"These banks entered into three-card-monty transactions with transit agencies, and they wanted to take tax deductions on these transit properties that they didn't really own. Senator Grassley and I shut down their tax loophole, and now the banks want to sue the transit agencies to make their money anyway. That's wrong – but paying the banks off with Federal dollars is not the right way to respond. Congress must not let these banks game the system further and siphon more cash off taxpayers.**

**"This provision must be stripped from the auto bill. When that's done, I will work with my colleagues to protect the nation's transit agencies from unfair lawsuits without throwing good taxpayer money after bad."**